Consumer Wealth and Spending: The $12 Trillion Opportunity

Consumer spending in different countries falls into distinct, concise, and predictable patterns. Understanding these patterns is vital for tapping into the next decade of growth.
By now, the explosion of consumer spending in Asia and the BRIC countries (Brazil, Russia, India, and China) and the revival of luxury spending in developed markets are common knowledge. Despite these clear economic surges, however, retailers and consumer packaged goods (CPG) manufacturers still struggle to fully understand how people in different markets spend their money, and how their spending patterns change over time as consumers get wealthier.

Knowing consumers’ product preferences and purchase dispositions can have an immediate impact for marketers and provide a longer-term advantage for brand and product strategies. Marketing and promotional resources can be modified as necessary to deliver the products and services that consumers demand. Brand and product portfolios can be crafted for specific markets based on consumer spending patterns. Best practices can be carried to different markets where consumers share similar characteristics—not only anticipating changing spending patterns but also designing plans to capitalize on them.

It is within this context that A.T. Kearney’s Global Consumer Institute launched the A.T. Kearney Consumer Wealth and Spending Study, which examines worldwide spending patterns. The study spans 30 years, from 1990 to 2020, a period chosen because of the availability of detailed consumption data. We used more than 3,000 variables to account for past and projected spending patterns in 86 countries and more than 70 product categories.

The study aims to determine how consumer wealth and spending have evolved, to establish what motivates and changes consumer spending patterns, and to ascertain whether or not spending patterns are globally consistent. The Institute will periodically refresh the study.

Using predictive econometric models, we identified four consumer groups and 12 distinct spending patterns. The analysis led to three main conclusions:

1. Consumer spending will continue to rise, with $12 trillion of new spending (after accounting for inflation) likely by 2020 (see figure 1).1

![Figure 1](chart.png)

**Figure 1**

Spending on goods and services is expected to increase by $12 trillion (43%) globally between 2010 and 2020

1 All monetary figures are in real U.S. dollars.
2. Consumers behave predictably as a country’s wealth increases and spending patterns mature.

3. Consumer behavior is not affected by geographic borders or cultural affiliations.

This paper examines these conclusions in detail.

1. Consumer Spending Will Continue to Rise

At the core of our study is an analysis that uncovers what drives spending, both at the aggregate level and category level, and what causes spending patterns to change. In any given country, three things drive spending: human dynamics (for example, birth rate, marriage rate, and divorce rate), labor (for example, unemployment rate and amount of employment in financial services, business services, and manufacturing), and education (for example, percentage of people with higher education and number of citizens studying abroad). Spending patterns related to the business environment are based on gross national income, minimum wage per month, and the rate of inflation; the health of global financial markets can moderate these findings but does not change them (see sidebar: Understanding Spending on page 8).

It’s no surprise that global wealth and spending have soared since 1990 and will continue to do so. Adjusting for inflation in both unit cost of goods and currency, growth in real spending will increase by $12 trillion in the next 10 years. Spending on food will account for about 10 percent of this growth, while spending on durable goods, personal care items, transportation,
healthcare, hotels, and leisure activities will account for a larger percentage (see figure 2 on page 3). The United States will continue to be the largest contributor to this increased spending (see figure 3 on page 3).

As consumers elsewhere in the world become more sophisticated, their spending does not appear to follow traditional paths, such as Maslow’s hierarchy of needs or U.S. patterns. For example, as incomes rise in China, the Chinese are spending a significantly larger “share of wallet” on education, and significantly less on tobacco and alcohol. We project that by 2020, the Chinese will spend six times more on education and one-fifth that amount on alcohol and tobacco. In this same time period, consumers in India will spend four times as much on communications, three times as much on hotels, and twice as much on transportation as Pakistanis—but only a fourth of what Pakistanis will spend on food. And although the most mature markets remain important for consumer goods companies, by 2020 more than one-third of the world’s spending will come from non-established markets.

2. Consumers Behave Predictably as a Country’s Wealth Increases

Based on spending analyses by country, we have identified four income groups across the world in which spending is firmly linked to economic development. We refer to these four consumer income groups as Basic, Emerging, Escalating, and Established. Each group has evolved over time and is expected to continue evolving over the next 10 years as the size of the Established group declines while the Emerging group expands (see figure 4). Each group has subcategories of spending patterns that offer a more detailed understanding of consumer behaviors. We’ve identified 12 distinct spending patterns that have been stable over the 30-year period.

Figure 4
“Emerging” consumers represent a greater share of spending

Percent of total spending
($ trillion)

<table>
<thead>
<tr>
<th>Year</th>
<th>Basic</th>
<th>Emerging</th>
<th>Escalating</th>
<th>Established</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990</td>
<td>10%</td>
<td>13%</td>
<td>4%</td>
<td>74%</td>
</tr>
<tr>
<td>2000</td>
<td>13%</td>
<td>13%</td>
<td>6%</td>
<td>76%</td>
</tr>
<tr>
<td>2010</td>
<td>17%</td>
<td>9%</td>
<td>9%</td>
<td>69%</td>
</tr>
<tr>
<td>2020</td>
<td>26%</td>
<td>9%</td>
<td>2%</td>
<td>63%</td>
</tr>
</tbody>
</table>

¹Percent totals 101 because of rounding.
Sources: Euromonitor; A.T. Kearney analysis
Within these groups, consumer spending differs, as illustrated in figure 5 on page 6, based on income level and needs. For example, the poorest consumers spend the highest proportion of their incomes on necessities, such as food, while the richest spend the highest proportion of their incomes on discretionary items, such as hotel stays and financial services. No surprise here, of course. What is important to watch is the rate of change in both groups; this will define the opportunity.

The following offers detailed descriptions of each spending pattern.

**The Basic Consumer**

**Approximate average spending per capita for countries currently in this group:** $4,000

- **2010 baseline:** population 1.8 billion, spending $1.4 trillion
- **2020 forecast:** population 0.7 billion, spending $0.9 trillion

Approximately a quarter of the world’s population today falls into the Basic Consumer income group. Over the next decade, this group will account for only 2 percent of the growth in consumer spending—primarily because fewer people will be in this group. By 2020, as more countries move into the next income group, there will be 700 million Basic Consumers who combine to spend less than $1 trillion. While this is a socially important group to focus on, these consumers will continue to be difficult for CPG companies to address.

While the most mature markets remain important for consumer goods companies today, by 2020 more than one-third of the world's spending will come from non-established markets.

Based on their spending patterns, Algeria, Azerbaijan, Belarus, Egypt, India, Jordan, Montenegro, Morocco, Nigeria, Pakistan, the Philippines, and Tunisia comprise this consumer group. India (which makes up the majority of this group’s population) and Azerbaijan will move into the Emerging Consumer group by 2017, and Montenegro will enter the Escalating Consumer group by 2020. Some countries that today lack stable spending patterns and therefore are not included in any of the four groups—sub-Saharan African countries, for example—will enter this group after 2020.

Basic Consumers spend primarily on food and personal care (spending on food will reach $275 billion by 2020). They tend to work far from home, so they spend more on travel, postal services, and lodging; they are beginning to buy newspapers and magazines, and purchase jewelry as a means of storing value. Within the Basic Consumer group there are three distinct spending patterns:
### Figure 5

**Consumer spending breakdown, by spending pattern**

<table>
<thead>
<tr>
<th>Relative spending by category (Indexed: highest-spending group = 100)</th>
<th>Income group</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Basic</td>
</tr>
<tr>
<td></td>
<td>Low-income handworking</td>
</tr>
<tr>
<td><strong>Group</strong></td>
<td><strong>Category</strong></td>
</tr>
<tr>
<td><strong>Basic food</strong></td>
<td>Water and juices</td>
</tr>
<tr>
<td></td>
<td>Vegetables</td>
</tr>
<tr>
<td></td>
<td>Bread</td>
</tr>
<tr>
<td></td>
<td>Fruits</td>
</tr>
<tr>
<td></td>
<td>Oil</td>
</tr>
<tr>
<td></td>
<td>Milk and eggs</td>
</tr>
<tr>
<td></td>
<td>Sugar</td>
</tr>
<tr>
<td></td>
<td>Fish</td>
</tr>
<tr>
<td></td>
<td>Meat</td>
</tr>
<tr>
<td><strong>Discretionary food</strong></td>
<td>Tea and coffee</td>
</tr>
<tr>
<td></td>
<td>Spirits</td>
</tr>
<tr>
<td></td>
<td>Wine</td>
</tr>
<tr>
<td></td>
<td>Beer</td>
</tr>
<tr>
<td></td>
<td>Tobacco</td>
</tr>
<tr>
<td><strong>Personal property</strong></td>
<td>Clothing</td>
</tr>
<tr>
<td></td>
<td>Footwear</td>
</tr>
<tr>
<td></td>
<td>Personal care</td>
</tr>
<tr>
<td></td>
<td>Jewelry</td>
</tr>
<tr>
<td><strong>Transportation and communication</strong></td>
<td>Bus</td>
</tr>
<tr>
<td></td>
<td>Rail</td>
</tr>
<tr>
<td></td>
<td>Cars</td>
</tr>
<tr>
<td></td>
<td>Air</td>
</tr>
<tr>
<td></td>
<td>Postal services</td>
</tr>
<tr>
<td></td>
<td>Telco equipment</td>
</tr>
<tr>
<td></td>
<td>Telco services</td>
</tr>
<tr>
<td><strong>Services</strong></td>
<td>Financial services</td>
</tr>
<tr>
<td></td>
<td>Education</td>
</tr>
<tr>
<td></td>
<td>Hospital services</td>
</tr>
<tr>
<td></td>
<td>Outpatient services</td>
</tr>
<tr>
<td></td>
<td>Social protection</td>
</tr>
<tr>
<td></td>
<td>Insurance</td>
</tr>
<tr>
<td><strong>Leisure and entertainment</strong></td>
<td>Hotels</td>
</tr>
<tr>
<td></td>
<td>Catering</td>
</tr>
<tr>
<td></td>
<td>Audio equipment</td>
</tr>
<tr>
<td></td>
<td>Cultural services</td>
</tr>
<tr>
<td></td>
<td>Newspapers and magazines</td>
</tr>
<tr>
<td></td>
<td>Package holidays</td>
</tr>
</tbody>
</table>

**Sources:** Euromonitor, A.T. Kearney analysis
Low-income and hardworking. These consumers spend most of their money on food, not only because they have little money to spend but also because food prices are higher in countries where population growth causes food shortages (see figure 6). Because few of these people can afford cars, they spend more on rail travel—mainly to get to work—than any other consumer group. Generally, low-income consumers spend very little on recreational and leisure items or activities, and they do not purchase alcohol (some because of religious influences). But they do purchase tobacco, with the highest spending on tobacco by far of any consumer group in our study. India and the Philippines are in this group today, but only the Philippines is expected to remain in this category by 2020.

Getting by on state services. These consumers spend most of their money on food and clothing and display below-average spending in nearly every discretionary category. Their pattern is distinct from other consumer spending patterns in that they spend very little on hospital services, transportation, and insurance—they either get these services from the state or not at all. Once dominated by developing Eastern European countries, today the countries

Figure 6
Spending map for “low-income and hardworking” group ($4,000 approximate per capita spending)

Indexed spending
(100 = highest-spending group in a category)
within this pattern are Azerbaijan, Belarus, Jordan, Montenegro, and Pakistan. By 2020, only Belarus, Jordan, and Pakistan will remain.

**Subsistence shoppers.** This spending pattern comprises consumers in Algeria, Egypt, Morocco, Nigeria, and Tunisia, and is one of the poorest in terms of spending. All of these countries have shown consistent spending patterns over the past 20 years and will likely remain static through the next decade because of slow economic growth, business risk, and unstable political environments. Unlike advanced Middle Eastern countries, these consumers spend most of their money

**Understanding Spending**

Throughout our study, we found characteristics that had a positive—or negative—impact on consumer spending regardless of country, category, or time period. They relate to population, labor and education, and the business environment, and reveal some interesting correlations (see figure).

For example, we found a strong negative correlation between unemployment rates among females, smoking rates among males, and spending on personal care. People who are more in tune with the latest news—those who subscribe to newspapers and various media, for example—spend more on personal care items, as do women who have longer maternity leaves. Countries with high marriage rates sell more wine and beer than countries with high divorce rates. And the number of foreign students pursuing university degrees translates into more spending as those students graduate, take jobs, and earn higher incomes. Also, spending patterns across geographic borders are affected when students study abroad. We can surmise that this is because students develop a fondness for certain products and continue to use them when they return home.

Our findings also offer interesting macroeconomic insights. While rising inflation slows spending on pharmaceuticals and personal-care items, it has minimal impact on meat, wine, and beer. And as the minimum wage increases, shoppers purchase more personal-care items and spend less on meat and alcoholic beverages.

This publication focuses on spending across countries and time periods. This is important, because we have found that when consumer goods companies and retailers consider entering or expanding in countries, they look at the aggregate opportunity a country presents, rather than the opportunity in specific cities or states.

The Institute is currently conducting detailed analyses in individual countries, since within each country there are Basic, Emerging, Escalating, and Established consumers. The number and concentration of these vary (for example, across the top 50 cities in China) and will be the focus of subsequent publications.

**Figure**

**Examples of spending drivers**

**Overall spending drivers**

<table>
<thead>
<tr>
<th>Traditional categories</th>
<th>Non-traditional categories</th>
<th>Traditional categories</th>
<th>Non-traditional categories</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Minimum wage per month</td>
<td>• Divorce rate</td>
<td>• Savings ratio</td>
<td>• Annual newspaper circulation</td>
</tr>
<tr>
<td>• Gross national income</td>
<td>• Marriage rate</td>
<td>• Number of people per household</td>
<td>• Length of maternity leave</td>
</tr>
<tr>
<td>• Inflation</td>
<td>• Foreign students in higher education</td>
<td>• Population completing primary school</td>
<td>• Female students in higher education</td>
</tr>
<tr>
<td>• Male unemployment rate</td>
<td>• Finance and business services employees</td>
<td>• Fertility rates</td>
<td>• Smoking rates among males</td>
</tr>
<tr>
<td>• Birth rate</td>
<td>• Foreign students in higher education</td>
<td>• Median age</td>
<td>• Internet subscribers</td>
</tr>
</tbody>
</table>

**Personal care spending drivers**

**Traditional categories**

<table>
<thead>
<tr>
<th>Traditional categories</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Divorce rate</td>
</tr>
<tr>
<td>• Marriage rate</td>
</tr>
<tr>
<td>• Foreign students in higher education</td>
</tr>
<tr>
<td>• Finance and business services employees</td>
</tr>
<tr>
<td>• Foreign students in higher education</td>
</tr>
<tr>
<td>• Manufacturing employment</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Non-traditional categories</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Savings ratio</td>
</tr>
<tr>
<td>• Number of people per household</td>
</tr>
<tr>
<td>• Population completing primary school</td>
</tr>
<tr>
<td>• Fertility rates</td>
</tr>
<tr>
<td>• Median age</td>
</tr>
</tbody>
</table>

Sources: Euromonitor, A.T. Kearney analysis
on basics: food, clothing, health services, public transportation, and education. That said, political developments in many of these countries could redefine economic growth before the decade ends.

The Emerging Consumer

Approximate average spending per capita for countries currently in this group: $8,000

2010 baseline: population 2 billion, spending $4.6 trillion
2020 forecast: population 3.4 billion, spending $10 trillion

Two billion people—more than a quarter of the world’s population—comprise the Emerging Consumer income group today, and they spend about $4.6 trillion per year. This group is expected to grow over the next decade as India and its billion-plus people move up from the Basic Consumer income group. By 2020, there will be 3.4 billion Emerging Consumers spending roughly $10 trillion. As we look at the next decade, this group will account for 45 percent of new spending, making it a priority for global companies.

The countries in this group are Bahrain, Bolivia, Brazil, Chile, China, Colombia, Ecuador, Israel, Kazakhstan, Kuwait, Peru, Qatar, Saudi Arabia, South Africa, South Korea, Taiwan, Ukraine, United Arab Emirates, Venezuela, and Vietnam. India and Azerbaijan will move into this group by 2017.

As consumers elsewhere in the world become more sophisticated, their spending does not appear to follow traditional paths such as Maslow’s hierarchy of needs or U.S. patterns.

While food and other basics still drive a fair share of spending, we also see a spike in clothing and footwear spending in the colder countries. As incomes rise so will spending on personal-care products, communications services, and education. While spending on entertainment and leisure is moderate for these countries today, it is rising steadily. Over the next decade, these consumers will spend $1 trillion more in each of three segments—transportation, food, and durable goods and services—and $500 billion in each of four others: healthcare, lodging, education, and communications.

The Emerging Consumer has four spending patterns:

Knowledge-hungry commuters. Consumers in countries with this spending pattern—which includes Bolivia, Chile, Colombia, Peru, Venezuela, and Vietnam—still focus on the basics such as food and clothing. The majority of their additional spending is on bus fares and restaurants,
often because they commute to and from work and grab a meal on the way. They spend little on leisure items and personal care, but their desire to improve their lot in life is reflected in the significant share of their income spent on education.

**Keeping warm.** People in cold climates—Kazakhstan, Ukraine, and, by 2017, Azerbaijan—spend a large proportion of their incomes on the basics such as food and clothing (see figure 7). Because of the cold weather, their food purchases are mostly calorie-dense items—meats, oils, fats, and sugars (not many fresh fruit and vegetable purchases)—and clothing purchases are mostly warm attire and footwear. These consumers spend little on medical services, travel, or financial services. As recently as the early 2000s, Belarus, Russia, and Turkmenistan were in this group, but this is no longer the case.

**Balanced spenders.** While a diverse group, balanced spenders are those who expend about the same amount of money on basic items (food and clothing) as on discretionary items. Their

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**Figure 7**

*Spending map for “keeping warm” group ($8,000 approximate per capita spending)*

**Indexed spending**

(100 = highest-spending group in a category)
spending patterns are close to global averages, with the notable exceptions of air travel, telecom equipment and services, and jewelry—categories in which they lead shoppers in all other spending patterns. They rank last in spending on rail travel, which, in some cases, is indicative of economic growth outpacing infrastructure development. Consumers in Bahrain, Brazil, China, Ecuador, Israel, Kuwait, Qatar, Saudi Arabia, South Africa, South Korea, Taiwan, and the United Arab Emirates are in this group today; India will join it by 2017.

**Transitional spenders.** Transitional spenders are very much like those in less developed nations; most of their money is spent on food and clothing, but as their incomes rise they begin to buy luxuries such as audio equipment. Currently, no country fits this truly transitional spending pattern, but some countries may fit here after 2020. Consumers in Belarus, Chile, Russia, Thailand, and Turkey followed this spending pattern at various times within the past 20 years, but moved up and out as their economies matured.

**The Escalating Consumer**

**Approximate average spending per capita for countries currently in this group:** $16,000

**2010 baseline:** population 0.6 billion, spending $2.5 trillion

**2020 forecast:** population 0.6 billion, spending $3.6 trillion

About 600 million people fall into the Escalating Consumer income group and they spend about $2.5 trillion a year. In 2020, the population will remain roughly the same, but spending will increase by $1.1 trillion, or roughly 10 percent of spending growth worldwide.

Countries in the Escalating Consumer income group are Argentina, Bosnia-Herzegovina, Bulgaria, Croatia, Estonia, Guatemala, Hungary, Iran, Latvia, Lithuania, Macedonia, Mexico, Poland, Romania, Russia, Serbia, Slovakia, Turkey, Turkmenistan, and Uruguay. Montenegro will join this group over the coming decade, while Bulgaria, Hungary, and Serbia will move up to the Established Consumer income group.

Spending patterns are stable in these markets. Consumers focus less on the basics, with fairly balanced spending on personal care, entertainment, and leisure items. There is typically a spike in telecom spending, while healthcare spending is low because many countries in this group have nationalized services.

Two spending patterns comprise the Escalating Consumer income group:

**Emerging wealthy.** The emerging wealthy primarily includes developing Eastern European countries. They were previously “getting by on state services,” but now they are earning higher salaries and thus have more discretionary money to spend (see figure 8 on page 12). The nations in this pattern are Argentina, Bosnia-Herzegovina, Bulgaria, Croatia, Estonia, Guatemala, Hungary, Iran, Latvia, Lithuania, Macedonia, Mexico, Poland, Romania, Serbia, Slovakia, Turkey, and Uruguay.

**New rich.** Of all the escalating markets, consumers in Russia and Turkmenistan have proven unafraid to spend on luxuries: cars, stereos, vacation packages, personal-care items, jewelry, and state-of-the-art phones. They spend very little on magazines, newspapers, hotels, financial services, or healthcare.
The Established Consumer

**Approximate average spending per capita for countries currently in this group:** $32,000

**2010 baseline:** population 1.2 billion, spending $20 trillion

**2020 baseline:** population 1.3 billion, spending $25 trillion

Established Consumer markets comprise 1.2 billion people who spend about $20 trillion per year. By 2020, they will number 1.3 billion and spend about $25 trillion a year. These consumers make up about 45 percent of the next decade’s $12 trillion in spending growth—and 63 percent of spending overall. The nations in this group are Australia, Austria, Belgium, Canada, the Czech Republic, Denmark, Finland, France, Germany, Greece, Hong Kong, Indonesia, Ireland, Italy, Japan, Malaysia, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden,
Switzerland, Thailand, the United Kingdom, and the United States. In this context, it is important to note that the forecast spending growth is the net of currency and unit cost inflation. In other words, these consumers will likely change their spending patterns to spend more on higher value-added products and services.

Indeed, Established Consumers spend significant amounts of money on personal care, leisure, entertainment, and healthcare (in countries where the government does not provide it). Spending in three sectors—durable goods and services, transportation, and healthcare services—is expected to increase more than $1 trillion per sector in the next decade.

Three spending patterns comprise the Established Consumer income group:

- **Sun seekers.** These people are enjoying their wealth, judging by their spending on hotels, restaurants, vacations, and jewelry. They reside primarily in recent rapid growth countries such as Indonesia, Ireland, Malaysia, Singapore, and Slovenia, with Bulgaria joining by 2020. Growth in many of these countries is fueled by foreign investment, and consumers in these countries buy lots of newspapers and magazines to keep up with the latest news. More recently, the financial crisis has led to questions about Spain, Portugal, and Greece among other European countries, which have historically demonstrated similar spending patterns.

- **Rich discretionary spenders.** These consumers like to splurge on restaurants, cars, clothing, cultural pursuits, and financial services. They reside in the mature economies of Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Italy, the Netherlands, New Zealand, Norway, Sweden, and the United Kingdom, along with the Czech Republic and Thailand. Japan also falls into this spending pattern, although unlike the others, its citizens spend significantly more on education and social protection and much less on vehicles and food items, especially meat. By 2020, Hungary and Serbia will have joined this group.

- **Service-oriented “luxurians.”** These consumers are found in Hong Kong, Switzerland, and the United States. With the highest weighted GDP per capita, these developed economies exhibit mature spending patterns, with consumers spending proportionally little on items to meet their basic needs in favor of items befitting their luxurious lifestyles (see figure 9 on page 14). A higher proportion of their spending is on “necessary luxuries,” including designer clothing, leisure activities, and dining out, but a significant percentage also goes to insurance, financial services, and healthcare.

We do not expect spending patterns in these three countries to change over the next decade or new countries to join.

**Adjusting for inflation** in both unit cost of goods and currency, growth in real spending will **increase $12 trillion in the next 10 years.**

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Importantly, many of these countries have an aging consumer base, so spending habits could change over the long term. However, we do not expect major changes to occur before 2020.

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3. Consumer Behavior Is Not Affected by Geographic Borders or Cultural Affiliations

Variations exist within the four groups highlighted in our findings. We have found that these differences are driven by different government services (nationalized healthcare versus private healthcare), cultural disparities (China’s emphasis on education), and everyday factors such as weather.

National markets move from one spending group to another as consumer spending shifts in what is almost always a slow, continual process. Analyzing and understanding how and why markets move to new spending patterns can provide a competitive advantage to those pursuing a share of the $12 trillion opportunity.
Three countries—China, Russia, and Thailand—serve as examples of the unique paths nations take as they move up the economic ladder.

**China**

Consumer wealth and spending in China has moved through three spending patterns in the past 20 years—from “keeping warm” to “knowledge-hungry commuters” to “balanced spenders” (see figure 10 on page 16). In 1987, China began a restructuring that transformed its state-controlled economy into a more open, market-driven economy. The Chinese were frugal during this time, spending mostly on the basics such as food, clothing, and housing and very little on transportation and other services.

The Asian financial crisis (1998–1999) slowed China’s economy, with consumers spending less on food items such as bread and cereal and more on education. In 2001, China joined the World Trade Organization—a move that signaled the country’s transition to modernism. A middle class began to emerge, and with it a change in spending patterns. Food purchases changed, emphasizing oils and fruits, while spending on alcoholic beverages decreased. Consumers spent more on telecom services, and continuing a trend begun a few years earlier, China became a leader in spending on education. The Chinese were otherwise frugal, spending only slightly more on leisure, personal care, and cultural services than they had in the past, and spending little on financial services and insurance.

Over the next decade, we expect the Chinese to spend more on housing and services and proportionally less on food, alcohol, and clothing. Busier lifestyles and growth in the fast-food sector will have a significant impact on restaurants and catering services.

**Russia**

Home to one of the world’s largest economies, Russia’s economic reforms have helped it grow into one of Europe’s largest consumer markets. Since the collapse of the Soviet Union 20 years ago, Russia’s consumers have moved from focusing on basic necessities (Emerging) to spending significantly more on vehicles and luxury items such as jewelry (Escalating). Interestingly, Moscow is home to more billionaires than any city in the world. This is a significant change from both 1991, when consumers focused on the basics and alcoholic beverages, and 1998, when the economic crisis exacerbated this purchasing trend and the ruble’s value plunged dramatically.

Russia’s abundant supply of natural resources such as gas, oil, coal, and precious metals spearheaded an economic boom during the past decade that brought 7 percent annual GDP growth. Consumers began spending more on non-basic items, especially cars. We expect the spending spree to continue over the next decade, with more Russians buying vehicles and luxury items, and a slow but increasing spending trend in telecom and postal services. Also, based on projected spending patterns, there may be a boom in the food sector, a possibility CPG companies should monitor closely.

**Thailand**

In just five years, Thailand’s consumers have moved from Emerging to Established, bypassing the Escalating group altogether as its economy surged, fueled by both exports and domestic spending. Thai consumers spend heavily on clothes, spirits, cars, leisure, and financial services.
Indexed spending
(100% = highest-spending group in each category)

Sources: Euromonitor; A.T. Kearney analysis

**Figure 10**
China’s moves across three spending patterns

**Balanced spenders**
- Balanced spending, with spikes in jewelry, air travel, telecom, and education
- Low share of food spending, except spike in fruit (which is expensive)
- Increase in leisure and entertainment spending

**Knowledge-hungry commuters**
- Increase in bus and air travel and telecom equipment and services because of value of communication and long commutes
- Spike in newspapers and education for knowledge-hungry population

**Keeping warm**
- Heavy spending on clothing in a colder climate
- Spending on calorie-dense food items such as meats, oils, fats, and sugars
- Low share of spending on healthcare and travel because of state-run services

Sources: Euromonitor; A.T. Kearney analysis
Always a strong exporter, Thailand’s economy has flourished thanks to hefty foreign investment and consumer confidence combined with low unemployment rates and a booming auto industry. Today, Thailand’s spending patterns resemble those of the most developed countries in the world.

Before the 1997 financial crisis, Thailand boasted a growing manufacturing-based economy bolstered by inexpensive labor, abundant natural resources, fiscal conservatism, liberal foreign-investment policies, and a motivated private sector. When the crisis hit, financial institutions crumbled, unemployment rose, and consumer spending slowed precipitously.

Thailand turned its economy around by pursuing a dual-track economic policy that encouraged domestic spending while nurturing open markets and foreign investment. This spurred domestic spending between 2001 and 2005.

Analyzing and understanding how and why markets move to new spending patterns can provide a competitive advantage to those pursuing a share of the $12 trillion opportunity.

Since then, however, severe droughts and floods, uncertainty over the ruling government’s future, and the lingering effects of the 2004 Indian Ocean earthquake and tsunami have combined to slow spending growth. We consider this a temporary setback, and consumer spending patterns have remained stable, although at lower absolute levels. As Thai consumers become more prosperous over the coming decade, we expect the market to return to strong growth.

Capitalizing on Knowledge

As consumer spending increases worldwide over the next decade, the key for consumer-focused manufacturers and retailers is knowledge—knowing how to tap into this $12 trillion opportunity. Future publications from the A.T. Kearney Global Consumer Institute will further address the findings of this study, including spending drivers both at the aggregate and category levels, and examine how to address them.

The value of this opportunity for consumer goods companies and retailers is unmistakable. Understanding spending patterns can help business leaders achieve the following:

- Know which product categories have the greatest growth potential in a given market
- Find countries with the greatest potential for particular products and services
- Understand which products consumers will be more likely to use without customization
- Reevaluate and reassess their product portfolios within specific countries to identify expansion opportunities
• Align marketing and promotional resources with products and categories that consumers are more likely to prefer
• Transfer best practices across borders among countries with similar spending
• Take advantage of major, disruptive change in upcoming spending pattern transitions (as exemplified by India)

The examples of Russia and China offer an idea of how companies can apply these tools. For example, while we expect Chinese consumers to spend more on housing and services in coming years, Russians will spend more on luxury vehicles and other similar items.

This study finds that spending can be analyzed in manageable pieces—with patterns that are concise, distinct, and consistent over time. CPG leaders can take this understanding and the detailed analysis behind it and tap into the inevitable growth in consumer spending and wealth.

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This material was prepared in conjunction with the A.T. Kearney Global Consumer Institute, a worldwide network of professionals and executives. The Institute combines proprietary and public data resources with local knowledge to deliver strategic and operational insights to executives in consumer-facing industries seeking long-term growth and competitive advantage. For more information, please contact gci@atkearney.com.
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